OMERS

retired member news

NUMBER 43 • WINTER • 2008

3 OMERS weathering the economic storm

3 OMERS opens office in London UK

4 A look back at pension income splitting

5 Get ready for tax time

6 An interview with OMERS President Michael Nobrega

8 Pension information sessions

OMERS retired member Rose Sloan

OMERS pensions increase by 2.51% in 2009

Inflation protection is an important benefit to many OMERS members. Your 2009 increase is 2.51%, which is 100% of the rise in the Canadian Consumer Price Index (CPI). This exceeds the 2008 increase of 1.99%. Inflation protection represents 20-25% of the total value of your OMERS benefit. It increases the purchasing power of your OMERS pension, and contributes to your financial security in retirement.

Continued on page 2

OMERS
Plan for the Future

An OMERS pension is a guaranteed source of inflation-protected retirement income. *Retired Member News* keeps over 100,000 retired OMERS members and survivors up to date on plan news and benefits.

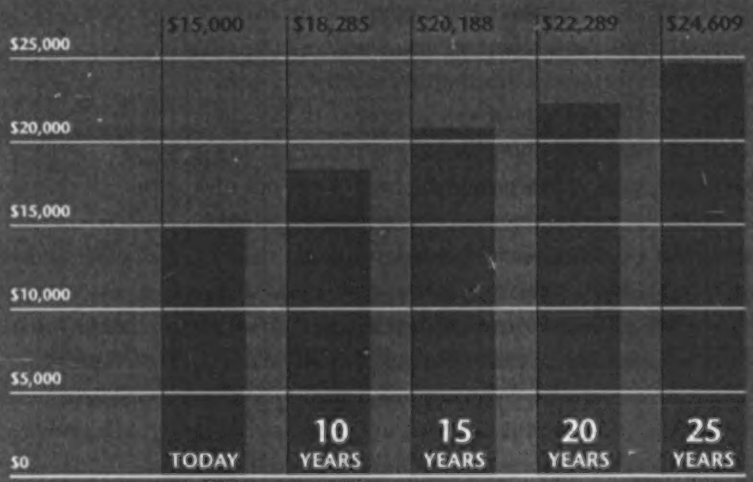
Continued from page 1

OMERS determines your pension increase by taking the monthly average of the CPI for the 12-month period ending in October 2008, and comparing it to the monthly average of the CPI for the 12-month period ending in October 2007. Your pension is increased by the percentage difference. This is consistent with the way Canada Pension Plan (CPP) adjusts pensions.

Even during more volatile times, your OMERS pension can provide you with financial stability and peace of mind by keeping pace with rising costs. For example, over a 25-year period, a $15,000 OMERS annual pension could increase to $24,609 if inflation protection is 2% per year in the future. That same amount without inflation protection would remain at $15,000.

OMERS inflation protection

helps to provide financial security in your retirement years, and protects your buying power. Here is an illustration of how a $15,000 pension today would grow in the future, using an inflation assumption of 2% per year:



Your 2009 increase

The *Annual statement of pension* you receive in late December will detail the exact amount of your pension increase.

- **If your pension started before January 1, 2008,** you will receive the full increase of 2.51% in 2009.

If your pension started:

- **in the period from January 1, 2008 to November 1, 2008,** your 2009 increase is pro-rated to reflect the number of months you received a pension in the previous year.
- **on or after December 1, 2008,** you won't receive an increase in 2009; you will receive the 2010 increase.

Important!

Your first pension payment in 2009 will be made **Friday, January 2,** as banks are closed January 1.

How CPI is measured

The CPI tracks the changes to our cost of living, based on the price of a fixed "basket" of goods and services bought by an average Canadian household in a given month. These items include food, shelter, clothing, transportation, health care and other average household expenses.

To learn more about CPI and the basket of goods, visit **www.statcan.ca.**

$$\frac{\text{CPI average 12 months (Nov 07–Oct 08)}}{\text{CPI average 12 months (Nov 06–Oct 07)}} - 1 \times 100 = \text{pension increase}$$

$$\frac{113.80}{111.01} - 1 \times 100 = 2.51\%$$

OMERS weathering the economic storm

With the recent downturn in the financial markets, OMERS members and retirees have expressed concern over the future value of their pension, and whether or not OMERS can weather the economic storm.

Your pensions are safe
The pension you are paid is based on your contributory earnings and years of credited service. Fluctuations in public market investments will not affect your pension amount; your benefit with OMERS is stable and secure.

OMERS investments are sound
OMERS actively manages investments using a long-term investment strategy. This strategy targets economic and financial trends, portfolio diversification and global assets to ensure strong, predictable income, while reducing the volatility of total returns. OMERS continues to shift its focus towards private market investments, such as infrastructure, real estate, and private equity.

We have also been asked if OMERS has been impacted negatively by credit default swaps (CDS) or third party asset-backed commercial paper (ABCP) in the same way as certain financial institutions that have been the subject of recent news reports. You can be assured that OMERS has had no direct exposure to these types of investments.

Finally, it is important to recognize that periods of volatility could reveal growth opportunities for OMERS. Our investment experts assess and take advantage of the opportunities that could yield long-term benefits for OMERS and its members.

More information
In spring of 2009, you will receive information on OMERS 2008 investment performance.

In the meantime, read about OMERS investment information on our website under Investments.

OMERS opens London office

OMERS is accelerating its expansion into private market investments, starting with a new office in London UK under the OMERS Worldwide brand.

Located at 6 New Street Square, London, this new office will now be the launch pad for OMERS expansion into global investments focusing on real estate, infrastructure, and private equities.

OMERS has been one of the top-performing funds in Canada for the past several years, driven by solid returns in private market investments. The fund's investment expertise responsible for its success to date is expected to translate into growing success abroad.

OMERS has $5 billion of capital interests in real estate and infrastructure assets in the United Kingdom. These investments have an enterprise value exceeding $10 billion and include Associated British Ports, Scotia Gas Networks, and the Watermark Place office complex being developed in London.

The London office will have a 20-member team, including OMERS investment professionals in real estate, infrastructure, private equity and capital markets. As relationships are formed and new investment opportunities are discovered, OMERS Worldwide will assess the need to open additional offices in other regions.

Judith St. George, Minister-Counsellor, Canadian High Commission, London, with Michael Nobrega, OMERS President and CEO, at the opening of OMERS London UK office.

A look back at pension income splitting

The 2007 income tax season marked the first time retired couples were able to take advantage of pension income splitting.

This *Income Tax Act* provision enables retirees to split up to one-half of their eligible pension income with their spouse or common-law partner to reduce the combined income taxes for both spouses.

Eligible pension income includes your OMERS retirement, disability or survivor pension for this pension income splitting benefit, regardless of your age. However, OMERS Retirement Compensation Arrangement (RCA) pensions for high income earners are not eligible and cannot be split.

Pension income splitting is administered through Canada Revenue Agency, not through OMERS.

Talk to your financial planner to see if you could benefit from pension income splitting. If so, you and your spouse or common-law partner must complete *Form T1032, Joint Election to Split Pension Income* when you file your taxes next year. This form can be found on Canada Revenue Agency's website at **www.cra-arc.gc.ca.**

To find out what other pension income can be split, visit our online FAQs (Retirees/Frequently asked questions/Pension income splitting).

As tax season approaches, we look at experiences our retirees have had with pension income splitting:

"I was interested in this option when it was announced, so I asked my accountant to take advantage of it. I was surprised when he told me I saved over $500. It's a great benefit."

– Rose Sloan, retired School Secretary

"My accountant did all the calculations to determine the right amount of pension to split, but I reaped all the benefits. I saved about $600 from the new CRA provision."

– Doug Shelton, retired Director of Inspection Services

"I prepare income tax returns; for the 2007 tax season these included several retirees and full timers in receipt of pension income. All of my clients took advantage of the new pension-splitting rule and total family savings ranged from $179 to $5,660."

– Dave McNeil, OMERS member

Tax time is around the corner again

We send OMERS retirees and survivors a T4A form (or NR4 form for those who live outside Canada) by the end of February each year. We also send a copy to Canada Revenue Agency.

The T4A/NR4 is your official proof of income for tax purposes. It shows the total amount of pension paid to you during the previous calendar year and the total tax deducted, if applicable.

If part of your pension is paid from the Retirement Compensation Arrangement (RCA), you will receive two T4A or NR4 tax slips: one for the portion paid from the OMERS Primary Pension Plan and one for the RCA portion.

To increase the amount of tax OMERS deducts from your pension payments, please complete, sign and return *Form 108 – Changing information (retired member/survivor).*

Form 108 can be found on the OMERS website under Retirees/Forms. If you don't have access to the internet, please contact OMERS Client Services to have a form mailed to you.

Tax-time FAQs online

Our tax-time FAQs may provide information that may help you prepare your 2008 income tax return. Check out www.omers.com under Retirees/Frequently asked questions/Tax-time FAQs.

New!

One text size fits all at www.omers.com

Text size: A A A

On your next visit to OMERS website, click on the text size buttons on the top-right corner to adjust your browser text.

Receive *Retired Member News* by e-mail

Feeling tech-savvy and eco-friendly at the same time?

Sign up to receive your *Retired Member News* electronically. We'll send you an e-mail alert with a link to the newsletter the moment we post it on our website.

Not only will you receive your newsletter faster, you'll be helping the environment too.

While you're on the OMERS website, register to attend a pension information session, fill out Words to the wise, or browse through OMERS updates on our home page.

OMERS has an eco-initiative in place, and conducts all pension administration business with the environment in mind. For example, the newsletter you're reading is printed on paper made from 50% recycled material including 25% post-consumer waste.

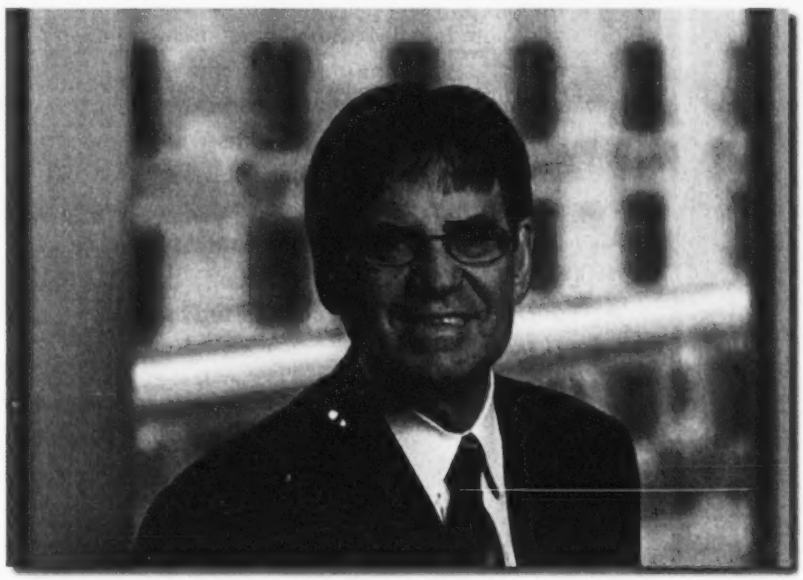
To start receiving your newsletter by e-mail, visit **www.omers.com.** Under Retirees/Publications, select "Retired Member News by e-mail."

INTERVIEW

One team, one goal drives performance

Last year, Michael Nobrega took the reins as OMERS President and CEO. His focus is to put OMERS at the leading edge through teamwork and a solid game plan. This approach served OMERS well last year — OMERS had the highest rate of return among Canadian pension funds.

In an interview, Mr. Nobrega talks about working together as a team to deliver superior benefits to members, OMERS priorities and what's in store for the future.



"I see OMERS as a highly respected institution with exceptional pension services and investment performance."

– Michael Nobrega, OMERS President and CEO

Since becoming OMERS CEO, is there any one thing that stands out in your mind?

Yes, the depth of talent at OMERS. We've worked hard to bring that talent together and put it to work as a team with the investment entities. OMERS is a complex organization and no one group can be expected to do the heavy lifting needed to put us at the leading edge. By working together, we will deliver superb investment returns and outstanding levels of service.

What are some of OMERS priorities?

Our primary investment priority is to manage what we own by adopting an enterprise-wide, active management strategy to generate surplus wealth. This involves:

- corporate initiatives to internalize some currently outsourced investment management services; and
- expanding our management reach by selectively locating staff in regions where we have major investments or see long-term prospects for private market investments and alliance agreements with major international capital pools.

Pension reform is another priority. We are working with other pension plans and the Ontario government to update rules that restrict investment activities of Ontario-based pension plans. As pension payments grow, OMERS will be under increasing pressure to generate stable long-term investment returns. To do this, OMERS must be able to exercise management control over its investments.

What do you see OMERS doing for plan members in the future?
In addition to providing OMERS pension benefits, we are looking at the possibility of providing plan members with new pension products through different investment vehicles. We want to stay ahead of the curve in serving our members, and we are exploring how we can do that.

Where do you see OMERS five years down the road?
I see OMERS as a highly respected institution with exceptional pension services and investment performance – and an employer of choice for the best and the brightest.

What's on your mind when you're not in the office?
I think about the volatility of the public markets and how we can better position OMERS to ensure stability and optimal performance. I think about how OMERS can be a dominant player in its pension and investment activities through research and teamwork that encourages innovation and creativity. I think about how I can better assist the Sponsors Corporation to ensure it advances the OMERS brand as a focused and disciplined institution that delivers leading-edge services and investment performance for its plan members.

You've attended some presentations and met members and retirees. What do you take away from these meetings?
I see that members and retirees have confidence in OMERS investment performance. They also have a high regard for its service levels and are pleased with its communications.

Plan valuation filed

OMERS Administration Corporation has filed the December 31, 2007 valuation of the OMERS Primary Pension Plan with the Financial Services Commission of Ontario, the provincial pension regulator. This is a legal requirement under the Ontario *Pension Benefits Act*. The valuation assesses the funded status of the plan, and at December 31, 2007 showed that benefits earned up to that date were 100% funded.

This is the first valuation to be filed since the introduction of OMERS current governance structure. As such, the *Ontario Municipal Employees Retirement System Review Act, 2006,* requires that the Minister of Municipal Affairs commence consultations with the persons or organizations that are entitled to appoint members to the OMERS Administration Corporation (AC) and Sponsors Corporation (SC). OMERS is looking forward to supporting the government in this important consultation initiative.

Expert Commission report released

The report from the **Ontario Expert Commission on Pensions (OECP)** was released on November 20, 2008. The Government of Ontario set up the Commission more than two years ago in order to review the province's pension system.

Based on a preliminary review of the report, OECP has responded favourably to OMERS submission in October of 2007. OMERS is pleased with the report's direction and with many of the individual findings and recommendations aimed at strengthening the security, affordability and fairness of pension plans in Ontario.

We are currently reviewing and digesting the commission's very thorough report and will have more information on our website and in the next *Retired Member News*.

Information about the OECP is also available at **www.pensionreview.on.ca.**

PENSION INFORMATION SCHEDULE

Plan for the future – with OMERS

Learn about your pension at an OMERS pension information session. We'll cover topics such as inflation protection, survivor benefits and retirement income.

Information sessions scheduled for 2009 (2:00 p.m. to 3:30 p.m.)

Date	Location
March 25	**Windsor** Caboto Club, 2175 Parent Avenue
May 13	**Cambridge** City of Cambridge, 50 Dickson Street
May 27	**Kingston** Portsmouth Olympic Harbour, 53 Yonge Street
June 10	**Timmins** Cedar Meadows, 1000 rue Norman Street
June 18	**Toronto** OMERS, 1 University Avenue, 16th Floor Reception
June 24	**Collingwood** Georgian Manor Resort and Country Club, 10 Vacation Inn Drive

Register early; the sessions fill up quickly. To register, or confirm the meeting location, contact OMERS Client Services or visit the OMERS website under Retirees/Information sessions.

Annual Meeting

The **2009 Annual Regional Meeting** will take place in Toronto on March 27, 2009. Visit **www.omers.com** early next year for more information and to register. Or, listen to our live audio webcast on March 27.

Questions?
Call 416-350-6708 or 1-866-725-6494.

Moving? Changing your banking or tax information?

Your information needs to be up to date to ensure the accuracy and security of your OMERS pension.

Please let us know if you change your address, banking or tax information. Send us a completed and signed *Form 108 – Changing information (retired member/survivor).*

Form 108 can be found on the OMERS website under Retirees/Forms.

If you have any questions, see below for the many ways to contact us.

OMERS
Plan for the Future

If there is any discrepancy between the information in this newsletter and the *Ontario Municipal Employees Retirement System Act, 2006 (OMERS Act, 2006)* and the plan text, the *OMERS Act, 2006* and plan text will govern.

Phone
416-369-2444
1-800-387-0813

Fax
416-369-9704
1-877-369-9704

E-mail
client@omers.com
(en français ou anglais)

Mail
One University Ave.
Suite 800
Toronto, ON M5J 2P1

Web
www.omers.com

ISSN 1913-7435 (Print)
ISSN 1913-7443 (Online)

Printed on paper made from 50% recycled material, 25% post-consumer waste.

Disponible en français

Publications Mail
Agreement No.: 40010368